Introduced by Senator Machado

December 2, 2002

An act to add Chapter 12 (commencing with Section 79590) to Division 26.5 of the Water Code, relating to water. An act to add Sections 79505.5, 79522, 79532, 79533, 79534, 79535, 79540.1, 79541.1, 79542.1, 79543.1, 79544.1, 79544.2, 79547, 79555, 79560.5, 79562.5, 79564.1, 79564.5, 79568.5, and 79571.5 to the Water Code, relating to water.

LEGISLATIVE COUNSEL'S DIGEST

SB 21, as amended, Machado. Water: Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002.

The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002, an initiative measure approved by the voters at the November 5, 2002, statewide general election, authorizes the state to issue general obligation bonds in the amount of \$3,440,000,000 for the purposes of the act.

This bill would express legislative intent with respect to the enactment of a comprehensive statutory framework for implementing the act require various state agencies, including the State Department of Health Services, the State Water Resources Control Board, and the Department of Water Resources, to adopt regulations for the purposes of implementing the act, and to convene and consult with a public advisory committee composed of certain representatives to assist each of those state agencies in carrying out that task. The bill would require each state agency to submit a report to the Legislature that describes its regulations and would authorize the allocation of bond funds subject to

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those respective regulations 60 days after the date on which the state agency submits its report to the Legislature. The bill would require state agencies that are required to implement certain provisions of the act to submit an annual report to the Legislature that identifies each recipient of bond funds, the amount of each expenditure made during the previous fiscal hear, and the amount of bond funds available for implementation of those respective provisions of the act.

The bill would require state agencies to award grants pursuant to certain provisions of the act on a competitive statewide basis and would require the State Department of Health Services to allocate certain grant money available to Southern California water agencies on a competitive basis for projects to reduce Colorado River water use, including projects undertaken jointly with other entities.

The bill would declare the intent of the Legislature, of the funds made available for the purposes of desalination projects, to enact in subsequent legislation, to appropriate at least \$10,000,000 for feasibility studies. The bill would establish various other requirements relating to the implementation of the act.

Vote: majority. Appropriation: no. Fiscal committee: no yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- SECTION 1. Chapter 12 (commencing with Section 79590)
 SECTION 1. The Legislature finds and declares the following:
- 4 (a) In order to protect the intent of the voters in approving the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Division 26.5 (commencing with Section 79500) of the Water Code), it is necessary and desirable that that act be implemented in as open and transparent manner as is practicable.
 - (b) It is further necessary and desirable that the public be directly involved in the adoption of regulations governing project solicitation, criteria, and evaluation to the maximum extent practicable.
- 14 (c) Funds made available by that act are limited relative to 15 apparent need. Therefore, both of the following implementing 16 measures are necessary and desirable:

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(1) Expenditures, including expenditures for loans and grants, pursuant to that act should be made on a competitive basis and evaluated solely on merit and need.

- (2) Projects that meet the needs of economically disadvantaged communities and projects that provide net environmental benefits should receive a preference in funding.
- (d) To ensure that that act is implemented in accordance with the intent of the voters, it is necessary and desirable for agencies that implement that act to report annually on all of the following matter:
- (1) The regulations and procedures adopted through a public advisory process.
- (2) The geographic distribution of funds allocated pursuant to that act and the intended public benefit provided by those expenditures.
- (3) The balance of funds available by that act for expenditures, including expenditures for loans and grants.
- SEC. 2. Section 79505.5 is added to the Water Code, to read: 79505.5. As used in this division, the following terms shall have the following meanings:
 - (a) "Economically disadvantaged communities" means _____.
- (b) "Matching funds" means funds made available by other than this division, donated services from nonstate sources, or both.
 - (c) "Net environmental benefits" means _____.
- SEC. 3. Section 79522 is added to the Water Code, to read: 79522. (a) Funds made available pursuant to Section 79520 shall be appropriated to the State Department of Health Services for statewide competitive grants.
- (b) The State Department of Health Services, at a minimum, shall convene and consult with a public advisory committee for the purposes of adopting solicitation and evaluation regulations for awarding grants under Section 79520.
- (c) The public advisory committee shall be composed of representatives of interested federal, state, and local governmental agencies, regional water management groups and other regional resource planning groups, public and private water agencies, agricultural interest groups, environmental interest groups, public interest groups, and other interested parties.
- (d) The public advisory committee shall provide advice and comments to the State Department of Health Services on project

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solicitation and evaluation, including, at a minimum, funding priorities and criteria for evaluating grant proposals.

- (e) Based on the advice and comments of the public advisory committee, the State Department of Health Services shall adopt project solicitation and evaluation regulations. The State Department of Health Services shall submit a report to the Legislature that describes the project solicitation and evaluation regulations adopted under this section.
- (f) Funds for awarding grants under this section are available 10 for allocation 60 days after the date on which the State Department of Health Services submits its report to the Legislature on the project solicitation and evaluation regulations.
 - (g) Beginning January 1, 2005, the State Department of Health Services shall submit an annual report to the Legislature that identifies the recipient and the amount of each grant awarded during the previous fiscal year under this chapter. The report shall include information on the geographic distribution of grants awarded under this chapter and the intended public benefit those grants provide. The report shall also include information on the balance of funds available under this chapter for grants in that current fiscal year and future fiscal years.
 - SEC. 4. Section 79532 is added to the Water Code, to read: 79532. (a) Funds made available pursuant to subdivision (b) of Section 79530 shall be administered in accordance with this section.
 - (b) Grants shall be awarded on a competitive basis among southern California water agencies.
 - (c) For the purposes of this chapter, "southern California water agencies" means water agencies whose service area is entirely or partly in one or more of the following counties: San Diego, imperial, Riverside, Orange, Los Angeles, San Bernardino, or Imperial.
 - (d) Grants may be awarded to southern California water agencies for projects undertaken jointly by one or more Southern California water agencies and other entities.
 - (e) A project funded by a grant made pursuant to subdivision (b) of Section 79530 shall meet both of the following requirements:
- 38 (1) The project will assist the grantee to meet safe drinking water standards. 39

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(2) The project will assist the grantee to meet the state's commitment to reduce Colorado River water use to 4.4 million acre-feet per year.

- SEC. 5. Section 79533 is added to the Water Code, to read:
- 79533. (a) The State Department of Health Services, at a minimum, shall convene and consult with a public advisory committee for the purposes of adopting solicitation and evaluation regulations for awarding grants under subdivision (b) of Section 79530.
- (b) The public advisory committee shall be composed of representatives of interested federal, state, and local governmental agencies, regional water management groups and other regional resource planning groups, public and private water agencies, agricultural interest groups, environmental interest groups, public interest groups, and other interested parties.
- (c) The public advisory committee shall provide advice and comments to the State Department of Health Services on project solicitation and evaluation, including, at a minimum, funding priorities and criteria for evaluating grant proposals.
- (d) Based on the advice and comments of the public advisory committee, the State Department of Health Services shall adopt project solicitation and evaluation regulations. The regulations may include a requirement for matching funds, but only if the regulations also include a waiver process for economically disadvantaged communities. The regulations may also include a cap on the size of grants awarded pursuant to subdivision (b) of Section 79530. The regulations shall include a preference for grants to economically disadvantaged communities.
- (e) The State Department of Health Services shall submit a report to the Legislature that describes the project solicitation and evaluation regulations adopted under this section. Funds for awarding grants pursuant to subdivision (b) of Section 79530 are available for allocation 60 days after the date on which the State Department of Health Services submits its report to the Legislature.
- 36 SEC. 6. Section 79534 is added to the Water Code, to read:
- 37 79534. (a) Funds made available pursuant to paragraphs (1)
- 38 to (5), inclusive, of subdivision (a) of Section 79530, and not for
- 39 the purposes of subdivision (b) of that section, shall be
- 40 administered in accordance with this section.

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 (b) Grants shall be awarded on a statewide competitive basis. A project that receives funding for the purposes of subdivision (b) of Section 79530 is not eligible for a grant subject to this section.

- (c) The State Department of Health Services, at a minimum, shall convene and consult with a public advisory committee for the purposes of adopting solicitation and evaluation regulations for awarding grants under this section.
- (d) The public advisory committee shall be composed of representatives of interested federal, state, and local governmental agencies, regional water management groups and other regional resource planning groups, public and private water agencies, agricultural interest groups, environmental interest groups, public interest groups, and other interested parties.
- (e) The public advisory committee shall provide advice and comments to the State Department of Health Services on project solicitation and evaluation, including, at a minimum, funding priorities and criteria for evaluating grant proposals.
- (f) Based on the advice and comments of the public advisory committee, the State Department of Health Services shall adopt project solicitation and evaluation regulations. The regulations may include a requirement for matching funds, but only if the guidelines also include a waiver process for economically disadvantaged communities. The regulations may also include a cap on the size of grants awarded pursuant to this section. The regulations shall include a preference for grants to economically disadvantaged communities.
- (4) The State Department of Health Services shall submit a report to the Legislature that describes the project solicitation and evaluation regulations adopted under this section. Funds for awarding grants subject to this section are available for allocation 60 days after the date on which the State Department of Health Services submits its report to the Legislature.
 - SEC. 7. Section 79535 is added to the Water Code, to read:
- 79535. Beginning January 1, 2005, the State Department of Health Services shall submit an annual report to the Legislature that identifies the recipient and the amount of each grant awarded during the previous fiscal year under this chapter. The report shall include information on the geographic distribution of grants awarded under this chapter and the intended public benefit those grants provide. The report shall also include information on the

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balance of funds available under this chapter for grants in thatcurrent fiscal year and future fiscal years.

- SEC. 8. Section 79540.1 is added to the Water Code, to read: 79540.1. (a) Funds made available pursuant to 79540 shall be administered in accordance with this section.
 - (b) Grants shall be awarded on a statewide competitive basis.
- (c) The board, at a minimum, shall convene and consult with a public advisory committee for the purposes of adopting solicitation and evaluation regulations for awarding grants under this section.
- (d) The public advisory committee shall be composed of representatives of interested federal, state, and local governmental agencies, regional water management groups and other regional resource planning groups, public and private water agencies, agricultural interest groups, environmental interest groups, public interest groups, and other interested parties.
- (e) The public advisory committee shall provide advice and comments to the board on project solicitation and evaluation, including, at a minimum, funding priorities and criteria for evaluating grant proposals.
- (f) Based on the advice and comments of the public advisory committee, the board shall adopt project solicitation and evaluation regulations. The regulations may include a requirement for matching funds, but only if the regulations also include a waiver process for economically disadvantaged communities. The regulations may also include a cap on the size of grants awarded pursuant to this section. The regulations shall include a preference for grants to economically disadvantaged communities.
- (g) The board shall submit a report to the Legislature the project solicitation and evaluation regulations adopted under this section. Funds for awarding grants pursuant to Section 79540 are available for allocation 60 days after the date on which the board submits its report to the Legislature.
- (h) Beginning January 1, 2005, the board shall submit an annual report to the Legislature that identifies the recipient and the amount of each grant awarded the previous fiscal year pursuant to Section 79540. The report shall include information on the geographic distribution of grants awarded under Section 79540 and the intended public benefit those grants provide. The report shall also include information on the balance of funds available

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under Section 79540 for grants in that current fiscal year and future fiscal years.

SEC. 9. Section 79541.1 is added to the Water Code, to read: 79541.1. Beginning January 1, 2005, the secretary shall submit an annual report to the Legislature that identifies the recipient and the amount of each expenditure, loan, or grant awarded during the previous fiscal year pursuant to Section 79541. The report shall include information on the geographic distribution of those expenditures, loans, or grants awarded under Section 79541 and the intended public benefit those expenditures, 10 loans, or grants provide. The report shall also include information on the balance of funds available under Section 79541 for expenditures, loans, or grants in that current fiscal year and future 14 fiscal years.

SEC. 10. Section 79542.1 is added to the Water Code, to read: 79542.1. Beginning January 1, 2005, the California Tahoe Conservancy shall submit an annual report to the Legislature that identifies the seller and the amount of each expenditure made during the previous fiscal year pursuant to Section 79542. The report shall include information on the geographic distribution of expenditures under Section 79542 and the intended public benefit those expenditures provide. The report shall also include information on the balance of funds available under Section 79542 for expenditures in that current fiscal year and future fiscal years.

SEC. 11. Section 79543.1 is added to the Water Code, to read: Beginning January 1, 2005, the board shall submit 79543.1. an annual report to the Legislature that identifies the recipient and the amount of each expenditure, grant, and loan made during the previous fiscal year pursuant to Section 79543. The report shall include information on the geographic distribution of expenditures, grants, and loans awarded under Section 79543 and the intended public benefit those expenditures, grants, and loans provide. The report shall also include information on the balance of funds available under Section 79543 for expenditures, grants, and loans in that current fiscal year and future fiscal years.

Section 79544.1 is added to the Water Code, to read: SEC. 12. The secretary shall require all prospective grantees for land and water acquisitions pursuant to Section 79544 to include in the grant application a proposal for the long-term management of the resource proposed to be acquired. The

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proposal shall identify the agency or organization that will hold title to the resource, including any state or federal agency to which title may be transferred after acquisition, and the agency or organization that will be responsible for managing and protecting the water quality values of the resource.

- SEC. 13. Section 79544.2 is added to the Water Code, to read: 79544.2. Beginning January 1, 2005, the secretary shall submit an annual report to the Legislature that identifies the recipient and the amount of each acquisition funded during the previous fiscal year pursuant to Section 79544. The report shall include information on the geographic distribution of acquisitions funded under Section 79544 and the intended public benefit those acquisitions provide. The report shall also include information on the balance of funds available under Section 79544 for acquisitions in that current fiscal year and future fiscal years.
- SEC. 14. Section 79547 is added to the Water Code, to read: 79547. (a) Funds made available pursuant to Section 79545 shall be administered in accordance with this section.
 - (b) Grants shall be awarded on a statewide competitive basis.
- (c) The department, at a minimum, shall convene and consult with a public advisory committee for the purposes of adopting solicitation and evaluation regulations for awarding grants under this chapter.
- (d) The public advisory committee shall be composed of representatives of interested federal, state, and local governmental agencies, regional water management groups and other regional resource planning groups, public and private water agencies, agricultural interest groups, environmental interest groups, public interest groups, and other interested parties.
- (e) The public advisory committee shall provide advice and comments to the department on project solicitation and evaluation, including, at a minimum, funding priorities and criteria for evaluating grant proposals.
- (f) Based on the advice and comments of the public advisory committee, the board shall adopt project solicitation and evaluation regulations. The regulations may also include a cap on the size of grants awarded pursuant to this chapter. The regulations shall include a preference for projects that provide a net environmental benefit.

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 (g) The department shall submit a report to the Legislature that describes the project solicitation and evaluation regulations adopted pursuant to this section. Funds for awarding grants pursuant to Section 79545 are available for allocation 60 days after the date on which the department submits its report to the Legislature.

- (h) The department may not delay convening the public advisory committee pursuant to subdivision (c) for the purposes of receiving the report prepared pursuant to Section 12949.6.
- (i) Beginning January 1, 2005, the department shall submit a report to the Legislature that identifies the recipient and the amount of each grant awarded during the previous fiscal year under this chapter. The report shall include information on the geographic distribution of grants awarded under this chapter and the intended public and environmental benefit those grants provide. The report shall also include information on the balance of funds available under this chapter for grants in that current fiscal year and future fiscal years.
- (j) Of the funds made available for the purposes of subdivision (a) of Section 79545, it is the intent of the Legislature to enact subsequent legislation to appropriate at least ten million dollars (\$10,000,000) for feasibility studies.
 - SEC. 15. Section 79555 is added to the Water Code, to read: 79555. The Legislature finds and declares all of the following:
- (a) According to the Environmental Water Account Operating Principles Agreement, the environmental water account will expire on September 30, 2004, unless extended by written agreement among the management agencies and project agencies.
- (b) The Environmental Water Account Operating Principles Agreement also state that before the environmental water account expires, the management agencies and project agencies will assess the success of environmental water account operations and analyze the potential impacts from new facilities and expanded conveyance capacity. The agencies will then determine the appropriate size and composition of an environmental water account, as well as the environmental water account's sharing in the benefits from new facilities, in the fifth and future years.
- (c) If the Environmental Water Account is extended, it is the intent of the Legislature to enact subsequent legislation requiring that not less than 50 percent of the funds made available pursuant

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to subdivision (d) of Section 79550 for acquisition of water for the CALFED environmental water account be expended for long-term 3 water purchase contracts and water rights.

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- Section 79560.5 is added to the Water Code, to read: SEC. 16. The department and the board may develop a joint 79560.5. process for soliciting and reviewing proposals for grants pursuant to Section 79560 to reduce the complexity and confusion of the grant application process and to encourage greater coordination and collaboration in funding between state agencies and programs.
- SEC. 17. *Section 79562.5 is added to the Water Code, to read:* 79562.5. (a) Funds made available pursuant to Section 79560 shall be administered by the department and the board in accordance with this section.
 - (b) Grants shall be awarded on a statewide competitive basis.
- (c) The department and the board, at a minimum, shall convene and consult with a public advisory committee for the purposes of adopting solicitation and evaluation regulations for awarding grants under this chapter.
- (d) The public advisory committee shall be composed of representatives of interested federal, state, and local governmental agencies, regional water management groups and other regional resource planning groups, public and private water agencies, agricultural interest groups, environmental interest groups, public interest groups, and other interested parties.
- (e) The public advisory committee shall provide advice and comments to the department and the board on project solicitation and evaluation, including, at a minimum, funding priorities and criteria for evaluating grant proposals.
- (f) Based on the advice and comments of the public advisory committee, the department and the board shall adopt project solicitation and evaluation regulations. The regulations may include a provision that authorizes the department and the board to consider whether or not a project benefits an economically disadvantaged community for the purposes of imposing requirements relating to matching funds. The regulations shall include a preference for projects that provide a net environmental benefit.
- (g) The department and the board shall submit a report to the Legislature that describes the project solicitation and evaluation

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 regulations established under this section. Funds for awarding grants pursuant to Section 79560 are available for allocation 60 days after the date on which the department and the board submit their report to the Legislature.

- (h) Beginning January 1, 2005, the department and the board shall each submit an annual report to the Legislature that identifies the recipient and the amount of each grant awarded during the previous fiscal year under this chapter. The reports shall include information on the geographic distribution of grants awarded under this chapter and the intended public and environmental benefit those grants provide. The reports shall also include information on the balance of funds available under this chapter for grants in that current fiscal year and future fiscal years.
- SEC. 18. Section 79564.1 is added to the Water Code, to read: 79564.1. (a) Of the funds made available by Section 79560, not less than 40 percent shall be available for projects in northern California and not less than 40 percent be available for projects in southern California to the maximum extent possible, subject to a determination by the administering agency that each project meets all of the requirements of this chapter.
- (b) For the purposes of this section, "southern California" means the Counties of San Diego, Imperial, Riverside, Orange, Los Angeles, San Bernardino, and Imperial.
- (c) For the purposes of this section, "northern California" means all California counties except those identified in subdivision (b).
- SEC. 19. Section 79564.5 is added to the Water Code, to read: 79564.5. To be eligible for financing by the department pursuant to Section 79560.1, a project shall be consistent with an adopted integrated regional water management plan as described in subdivision (a) of Section 79564.
- SEC. 20. Section 79568.5 is added to the Water Code, to read: 79568.5. It is the intent of the Legislature in subsequent legislation to allocate fifty million dollars (\$50,000,000) from funds available pursuant to Section 79568 as a minimum state contribution or matching contribution for federal funds or funds obtained from other sources, to assist in the implementation of the preferred alternative or other related restoration activities, including the program referred to in paragraph (3) of subdivision (d) of Section 2081.7 of the Fish and Game Code, at the Salton Sea

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or the lower Colorado River, or to assist in the development of a natural community conservation plan that is consistent with the initiative and that is implemented to effectuate the Quantification Settlement Agreement.

SEC. 21. Section 79571.5 is added to the Water Code, to read: 79571.5. Beginning January 1, 2005, each state agency expending funds pursuant to this chapter shall submit an annual report to the Legislature that identifies the recipient and the amount of each expenditure or grant made during the previous 10 fiscal year under this chapter. The report shall include information on the geographic distribution of expenditures and grants made under this chapter and the intended public and environmental benefit that those expenditures and grants provide. The report shall also include information on the balance of funds available under this chapter for expenditures and grants in that current fiscal year and future fiscal years.

is added to Division 26.5 of the Water Code, to read:

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CHAPTER 12. IMPLEMENTATION

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- 79590. (a) The Legislature finds and declares all of the following:
- (1) The enactment of the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Division 26.5 (commencing with Section 79500)) through the voters' approval of Proposition 50 at the statewide general election on November 5, 2002, demonstrates the public's commitment to all of the following:
- (A) Maintenance of adequate funding of the state's major water programs, including the CALFED Bay-Delta program.
- (B) Meeting the state's obligations under the Colorado River Water Use Plan.
- (C) Investing in water quality and safe drinking water programs.
- (D) Protecting coastal water quality and marine, aquatic, and terrestrial habitat for fish and wildlife.
- (2) The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 requires the Legislature to appropriate the funds provided by that act, and authorizes the

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Legislature to establish funding criteria and direction in most of the programmatic areas of the measure.

- (3) The achievement of a geographically and programmatically balanced implementation of the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 requires the enactment of a comprehensive statutory framework that is consistent with the provisions of that act.
- (b) It is, therefore, the intent of the Legislature to enact a comprehensive statutory framework for implementing the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 that accomplishes all of the following:
- (1) Ensures the equitable distribution of funding to meet the needs of all regions of California in a manner that optimizes the use of the taxpayers' dollars.
- (2) Provides for the efficient, expeditious, and coordinated administration of programs funded by the act.
- 17 (3) Contributes to the long-term improvement of California's water quality, water supply reliability, and environment.